



October 20, 2011

TO: Senator Hatch and Representative Schulte
FROM: John Pollak and Susan Crowley
RE: Property tax options available to counties after implementation of the repeals contained in 2011 Iowa Acts, SF 209

Request. You have asked about the options available for counties to fund adult mental health, mental retardation, and developmental disabilities services after the repeals in 2011 Iowa Acts, Senate File 209, take effect on July 1, 2013, assuming current county obligations under law to fund services and related statutory provisions remain unchanged.

Note to Reader. This memorandum provides a brief, summary response to the information request based upon an initial review of Iowa Code provisions. Persons closely engaged with Iowa's property taxation system should be consulted for a more comprehensive response to the information request. Although this memorandum may identify issues for consideration by the General Assembly, nothing contained in it should be interpreted as advocating a particular course of action.

Background. Under 2011 Iowa Acts, Senate File 209, the following Code provisions originally enacted by 1995 Iowa Acts, Chapter 206 (SF 69), are repealed on July 1, 2013:

1. Section 331.424A, establishing the county mental health, mental retardation, and developmental disabilities services fund, requiring all revenues for the services to be credited to the fund, and establishing a levy for the fund and limiting the levy to a base year expenditure amount defined in Code section 331.438.
2. Section 331.438, defining base year expenditures and state payment provisions (the state payment consists of property tax relief funds under Code chapter 426B and allowed growth funds), and requiring joint state and county planning involving the Mental Health and Disability Services Commission.
3. Section 331.439, delineating county management plan provisions in order for a county to be eligible for state payment, applying a fixed budget to counties for services, providing for the state to provide allowed growth funding enacted a year in advance, allowing counties to implement waiting lists if funding is insufficient, and requiring annual reporting of data.
4. Section 331.440, establishing the county central point of coordination process, requiring the county of legal settlement to pay for the services ordered by the county of residence, and providing for counties to administer state case services.

5. Chapter 426B, establishing the property tax relief fund, making an annual standing appropriation to the fund for property tax relief payments to counties, requiring dollar-for-dollar reduction of county levies in the amount of property tax relief payments, and establishing the allowed growth and risk pools within the fund.

Discussion. Iowa law provides counties with the following property tax levy options in addition to basic levies for county general services (\$3.50 per \$1,000 of assessed value) and for rural county services (\$3.95 per \$1,000 of assessed value) that could be considered for funding of adult mental health, mental retardation, and developmental disabilities services following the July 1, 2013, repeals described above:

1. Supplemental Levy - Code Section 331.424. To the extent that the basic levies are insufficient to meet the county's needs for a list of services specified in statute, the board of supervisors may certify supplemental levies to pay charges for the services. However, Senate File 69 repealed from the statutory list mental health and mental retardation services. This authority was not restored with the repeals in 2011 Iowa Acts, SF 209.
2. Additions to Basic Levies - Code Section 331.426. If a county has unusual circumstances, creating a need for additional property taxes for general county services or rural county services in excess of the amount that can be raised by the basic levies, supplemental levy, cemetery levy, and emergency services fund levy, the board of supervisors may certify additions to the basic levies on the basis of one or more of the following reasons:
 - a. An unusual increase in population as determined by the preceding certified federal census.
 - b. A natural disaster or other emergency.
 - c. Unusual problems relating to major new functions required by state law.
 - d. Unusual staffing problems.
 - e. Unusual need for additional moneys to permit continuance of a program which provides substantial benefit to county residents.
 - f. Unusual need for a new program which will provide substantial benefit to county residents, if the county establishes the need and the amount of necessary increased cost.
 - g. A reduced or unusually low growth rate in the property tax base of the county.

If the authority under Code Section 331.426 is utilized, the board of supervisors is required to publish certain additional information in the notice for the public hearing on the county budget.

3. Special Levy Election - Code Section 331.425. The board of supervisors may certify a levy in addition to the basic levies, supplemental levies, and additions to the basic levies if a proposition to certify an addition to a levy has been submitted at a special levy election and received a favorable majority of the votes cast on the proposition. The proposition is required to specify the amount of the additional levy rate and the number of years to which the additional levy rate applies.

Budget Appeal. Code section 331.436 provides that the adopted county budget, or any item (i.e., expenditure, tax levy, or assessment) in the budget, is subject to appeal to the State Appeal Board upon filing of a written protest signed by persons affected by the budget equal in number to $\frac{1}{4}$ of one percent of the number of persons who voted in the county at the last general election for governor, but in no case shall a written protest to a county budget contain fewer than 100 signatures. Pursuant to Code section 24.30, the State Appeal Board has the power and authority to approve, disapprove, or reduce protested budgets, expenditures, and tax levies but it is specifically prohibited from ordering an increase in a budget or any item in a budget.